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Kia ora Simon

Submission on Open letter – Local lines networks: achieving better outcomes for consumers now and in the future

Network Tasman Trust (NTT) welcomes the opportunity to comment on the Commerce Commission's open letter.

NTT is the sole shareholder of Network Tasman Limited (NTL) and holds those shares on behalf of consumers in the Tasman network. Five of NTT's six trustees are elected by Tasman network consumers and one is appointed by the three major electricity users, providing a direct accountability link between the shareholder and the consumers it represents.

NTT supports the submission made by Network Tasman Limited and asks the Commission to consider the two submissions together. Rather than repeat NTL's detailed operational and regulatory analysis, NTT focuses on the perspective of the consumer owner and shareholder.

Establish the problem before determining the response

NTT supports the Commission's objective of improving outcomes for current and future electricity consumers and establishing a clearer view of what good EDB performance looks like. NTT also supports appropriate regulatory intervention where sustained underperformance is demonstrated, is materially affecting consumers and cannot be adequately addressed through existing regulatory mechanisms. Any additional intervention should demonstrate a clear net benefit for consumers.

NTT is concerned, however, that the open letter signals stronger regulatory action is likely to be needed without first providing evidence establishing the nature, scale or location of the sector performance problem it is intended to address.

The Commission states that efforts to improve efficiency and optimise utilisation of networks do not appear to be systematic across EDBs and that stronger regulatory action is likely to be required. It then identifies a series of likely outcomes and possible regulatory measures. The letter does not provide empirical evidence demonstrating widespread inefficiency, identify which EDBs are materially underperforming, quantify the extent of any sector-wide performance gap or establish the consumer gains available from the measures contemplated.

This is particularly significant given MBIE's May 2025 advice to the Minister for Energy, developed in collaboration with the Commerce Commission, that there is *"limited robust evidence showing widespread inefficiencies across EDBs"*.

That leaves an important threshold question. Either inefficiency is not widespread, in which case the benefits available from sector-wide intervention may be more limited than assumed, or inefficiency has not yet been adequately measured, in which case its scale, location and causes remain uncertain.

In either case, NTT considers the evidence base should be established before additional regulatory solutions are selected. The Commission should identify the problem, which EDBs it affects, its magnitude and consumer impact, the extent to which its causes are within EDB control, what existing mechanisms can address it, and the likely net consumer benefit from any further intervention.

That is consistent with NTT's recent submission to MBIE, which argued that clearly identifying the problem, outcomes sought and measures of performance should inform the development of regulatory options rather than follow it.

NTT recognises that effective regulation can provide valuable discipline, strengthen accountability and support better outcomes for consumers. However, regulatory intervention should have clearly defined objectives, be proportionate to the problem identified and avoid creating incentives for unintended or counterproductive behaviours. In particular, regulatory settings should not encourage short-term cost reductions at the expense of network reliability, resilience or efficient long-term investment.

Measuring performance

NTT supports clear and accessible information about EDB performance and agrees that robust comparative information can help identify areas warranting closer examination.

Efficiency should not, however, be equated simply with the lowest operating cost or lowest current price. Geography, customer density, asset condition, growth, resilience requirements and investment needed to support future demand can materially affect costs. Conversely, low expenditure is not necessarily efficient where it reflects deferred maintenance or inadequate long-term investment.

Assessment should therefore consider costs alongside consumer outcomes, including safety, reliability, resilience, service and efficient long-term investment.

Network Tasman already operates within a defined performance framework through its Statement of Corporate Intent. It sets forward measures across safety, reliability and financial performance, including SAIDI, SAIFI, CAIDI, faults and restoration performance, cash operating costs per consumer and financial returns, together with capital structure measures. Actual performance is subsequently reported against those targets.

NTT supports the Commission using existing, established information wherever possible before introducing additional disclosure or creating parallel performance reporting requirements. Benchmarking can be valuable but should be diagnostic rather than determinative and should properly account for material differences between networks.

NTT also supports greater consistency in regulatory requirements and the treatment of comparable activities across EDBs. This includes consistent treatment and classification of operating expenditure (opex) and capital expenditure (capex) to enable like-for-like benchmarking. Consistent definitions, reporting requirements and assessment methodologies can improve transparency and support more reliable assessments of performance. However, consistency should not come at the expense of recognising material differences in network characteristics, operating circumstances and consumer needs. Any changes should build on existing requirements wherever practicable and demonstrate benefits that justify their implementation and compliance costs.

Scale, collaboration and consolidation

NTT does not consider small scale, of itself, to be evidence of inefficient performance or inadequate capability. The benefits of scale are context-dependent and influenced by factors including network characteristics, operating models, available capabilities and opportunities for collaboration. Larger organisational size does not necessarily translate into better performance or lower costs for consumers.

Network Tasman provides a useful counterexample. Its 2026 independent ownership review found its costs were around one-third below the industry average over the preceding five years and that it had remained in the lowest-cost quartile for eight of the previous ten years.

NTT supports collaboration and standardisation where they deliver demonstrable consumer benefits. Benefits of scale can be obtained through common technical standards, joint procurement, shared services and systems, coordinated financing and collaboration on emerging technologies without requiring ownership consolidation. The relevant test should be whether an initiative produces a demonstrable net benefit, for consumers in the circumstances of the EDBs concerned, rather than whether it increases organisational scale.

NTT is not opposed to consolidation where there is a sound business case. NTL's 2025 acquisition of the remaining 50% shareholding in Nelson Electricity and its subsequent integration in 2026 demonstrates that consolidation can produce benefits in appropriate circumstances. It also illustrates why those benefits cannot simply be assumed. The Tasman and Nelson networks continue to operate as separate pricing regions reflecting their different costs, and Tasman network consumers are beneficiaries of NTT while Nelson consumers are not.

Any future consolidation proposal should therefore demonstrate the benefits and costs for the materially affected consumer groups, including transition and integration costs, debt and capital requirements, pricing and cost-allocation effects, reliability, service and any redistribution of costs or benefits.

The consumer-owner perspective

The Commission states that the limitations of small scale or costs arising from ineffective capability and capacity should be borne by shareholders rather than consumers.

NTT supports the underlying principle that consumers should not bear avoidable costs arising from inefficient performance. However, the shareholder–consumer distinction operates differently in a consumer trust-owned EDB.

NTT holds the shares in Network Tasman on behalf of Tasman network consumers. A financial consequence transferred from the company to its shareholder can therefore ultimately reduce the value or distributions available to the same consumer beneficiaries.

Consumer trust ownership should not, in itself, provide grounds for exemption from appropriate regulatory requirements, including applicable price controls. Equally, ownership structure should not be a basis for imposing additional regulatory obligations. Rather, incentives should be targeted at demonstrated and controllable performance problems and tested against the net consumer benefit they are expected to produce.

Ownership should be tested, not predetermined

The Commission encourages governors of smaller EDBs to objectively consider whether collaboration or alternative ownership options could deliver better long-term outcomes. NTT agrees that ownership arrangements should be periodically tested rather than simply assumed to remain optimal.

NTT already has a substantive process for doing so. Its Trust Deed requires an ownership review every five years. The 2026 review, NTT's seventh, considered company performance and peer comparisons, future capital requirements, non-electricity distribution activities and alternative ownership structures, supported by independent analysis and public consultation, before recommending continued trust ownership. The Trust received 24 submissions through the public consultation process, all of which supported retaining the current consumer trust ownership model. Following consideration of the independent review and public submissions, the Trustees confirmed the continuation of trust ownership.

NTT supports minimum expectations for robust periodic ownership reviews, including appropriate independent assessment and consumer consultation. It does not support a process under which a regulator effectively substitutes a preferred ownership structure for the outcome of a robust ownership review.

Where such a review identifies material performance, governance or ownership issues, they should be addressed. Equally, where an independent review demonstrates good performance and continued consumer benefit, that evidence should carry weight.

Coordination across the sector

NTT encourages the Commission to coordinate this work closely with MBIE, the Electricity Authority and other relevant agencies, and to engage with ENA, individual EDBs, ETNZ, consumer representatives and other sector stakeholders.

There is substantial overlap between this work and other current regulatory initiatives. The Commission itself acknowledges those parallel processes and its intention to seek alignment where feasible.

Coordination should extend beyond timing. The relevant agencies should work from a common evidence base, with clarity about the problem each intervention is intended to address and how effectiveness will be assessed. Regulatory requirements should be consistent and complementary across agencies, avoiding unnecessary duplication, conflicting incentives or additional obligations that do not deliver demonstrable consumer benefits. Existing information and disclosure should be used wherever possible before additional compliance requirements are imposed. Early engagement with EDBs and consumer representatives would also help identify where existing information is sufficient, where genuine gaps remain and how any proposed regulatory changes could be implemented efficiently.

Conclusion

NTT supports Network Tasman Limited's submission and the Commission's objective of improving outcomes for current and future consumers.

NTT supports intervention where there is demonstrated underperformance and a clear consumer case for action. Its concern is with moving towards stronger regulatory or structural responses before the underlying performance problem has been established.

NTT therefore encourages an evidence-led approach that establishes the problem before determining the solution, makes effective use of existing performance information, supports consistent and proportionate regulation with clearly defined objectives, enables collaboration where it creates genuine consumer benefits, avoids treating scale or ownership as proxies for performance, and requires a clear consumer case before structural consolidation is encouraged.

We would welcome the opportunity to discuss any of the matters raised in this submission.

Yours sincerely



Judene Edgar
Chair
Network Tasman Trust